



Los Angeles County AUDIT COMMITTEE

Louisa Ollague, Chair
1st District
Lori Glasgow, Vice-Chair
5th District
Gerardo Pinedo
2nd District
Genie Chough
3rd District
Carl Gallucci
4th District

MEETING MINUTES

May 24, 2007

Chair Louisa Ollague called the meeting to order at 1:10 p.m. in Conference Room 866 at the Kenneth Hahn Hall of Administration.

Committee Members Present

Louisa Ollague, First District
Gerardo Pinedo, Second District
Genie Chough, Third District
Carl Gallucci, Fourth District
Lori Glasgow, Fifth District

Committee Members Absent

None

Others in Attendance

Jim Schneiderman, Auditor Controller
Don Chadwick, Auditor Controller
Maria Oms, Auditor Controller
John Naimo, Auditor Controller
Mike McWatters, Auditor Controller
Eileen Kelly, Department of Public Social Services
Luz Ductoc, Department of Public Social Services
Jennifer Lehman, County Counsel
Avianna Uribe, Board of Supervisors
Peter Papadakis, Board of Supervisors
Mireya Rivera, Board of Supervisors
Juanita Smith, Board of Supervisors

Approval of Minutes

On motion of Louisa Ollague, seconded by Carl Gallucci, the Committee unanimously approved the April 19, 2007 minutes.

Old Business

Status Report – Board-Requested Reviews of DHS Contract Physician Oversight, Physician Timekeeping Protocols and Investigation of Outside Employment (Board Agenda Item 61-A, July 19, 2005 and Item 85-A, August 30, 2005) (6/14/06): The Committee unanimously approved continuing this item to its July 19, 2007 meeting.

Sunset Review of Board Policy No. 5.100 – Sole Source Contracts (11/29/06): The Committee unanimously approved continuing this item to its September 20, 2007 meeting.

Fiscal, Program, and Administrative Review of the Department of Public Social Services Fiscal Year 2004-05 Community Services Block Grant and Office of Traffic Safety Education Program Service Providers (12/12/06): Eileen Kelly, Department of Public Social Services (DPSS), provided an overview of the Community Services Block Grant (CSBG), and Office of Traffic Safety Education (OTS) Program. Ms. Kelly reported that the County paid the 55 contractors \$5 million during Fiscal Year 2004-2005. This contract was transferred to DPSS by the Department of Community Senior Services (CSS) in April 2005. DPSS requested an audit to determine the effectiveness of the contract and the situation of the program. DPSS agreed with six of the seven recommendations and disagreed with one of the findings, which addressed reimbursements of the contractors budgeted expenditures instead of actual expenditures. DPSS agreed to develop a more appropriate financial statement analysis worksheet with Auditor Controller input. Moss, Levy & Hartzheim LLP, Certified Public Accountants (CPA), identified potential overpayments of \$368,000 related to the findings. However, Moss continued to work with the contractors after the report was submitted and \$117,000 dollars was resolved. Luz Ductoc, Department of Social Services, provided an update regarding the contractor amounts resolved and amounts outstanding. DPSS has 16 agencies with potential overpayments totaling \$251,000. DPSS began working with the contractors to resolve these issues; however, DPSS was unable to finish. DPSS expects the remaining findings to be resolved by the end of June 2007. Gerardo Pinedo asked if board deputies were briefed and aware of these specific agencies and encouraged DPSS to contact Julia Orozco of the Second District, as she develops recommendations for future funding. Ms. Kelly reported DPSS is still working with the contractor to bring the remaining outstanding contracts into compliance and document their compliance before DPSS instituted the request for payment. In response to Louisa Ollague, Ms. Kelly advised that Moss' recommendations have been incorporated in the new Request for Proposal (RFP). Ms. Ductoc indicated that DPSS will have Auditor Controller guidance in determining adjustments to lower the actual amount of \$101,000. **On motion of Gerardo Pinedo, seconded by Louisa Ollague, the Committee unanimously approved receiving and filing this item.**

Audit of the Los Angeles County Flood Control District for the Year Ended in June 30, 2006 (1/31/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting.**

Fiscal Review of Transcendence Children & Family Services (Formerly Wilene's Re-Growth Center) – A Foster Family Agency and Group Home Foster Care Contractor (3/22/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting.**

Fiscal Review of Wings of Refuge, Incorporated – A Foster Family Agency Contractor (3/22/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting.**

Sunset Review of Board Policy 3.095 – City Annexations and Spheres of Influence (3/29/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting and requested Board Planning Deputies to attend and discuss this matter.**

Audit of the Sheriff's Department Commissary Service Contract (4/12/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting.**

Status Report Adoptions and Safe Families Act Prop A Analysis (Board Agenda Item 11, February 13, 2007) (4/12/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting and requested Children Deputies to attend and discuss this matter.**

Reports to be Received and Filed

City of Palmdale Contract – Workforce Investment Act Programs (4/24/07): **The Committee unanimously approved receiving and filing this item.**

Community Based Education and Development Contract – Workforce Investment Act Adult Special Needs Program (4/24/07): **The Committee unanimously approved receiving and filing this item.**

Vista Del Mar Child and Family Services Contract Review – Wraparound Approach Services Program (4/30/07): Mike McWatters, Auditor Controller, reported that the Wraparound Program can retain the funds not spent as a reserve for future Wraparound expenditures. **On motion of Gerardo Pinedo, seconded by Genie Chough, the Committee unanimously approved receiving and filing this item.**

City of Hawthorne South Bay Workforce Investment Board Contract – Workforce Investment Act Programs (5/2/07): Mr. McWatters reported that South Bay Workforce Investment Board (Agency) had housekeeping issues although over billing was not identified. The agency's expenses were allowable, accurately billed to Department Community and Senior Services, and supported by the required documentation. Mr. McWatters reported that the Auditor Controller is meeting with DCSS to contract a program to provide training for the contractors regarding the importance of updating the system. In conjunction with the training, the Auditor Controller incorporated using the plan measures in the audit in which contractors will be penalized for not updating their database. **On motion of Gerardo Pinedo, seconded by Genie Chough, the Committee unanimously approved receiving and filing this item.**

Clontarf Manor, Inc. Contract Compliance Review Mental Health Service Provider (5/2/07): **The Committee unanimously approved receiving and filing this item.**

Raevery's Resource Center Contract – Workforce Investment Act Youth Program (5/8/07): Mr. McWatters reported that the Auditor Controller is working with DCSS in following-up and coordinating the report regarding the payment of \$730 dollars to DCSS in entertainment costs. WIA guidelines forbid entertainment costs and non-monetary incentives to be paid to WIA participants and will present the report to the Workforce Investment Act (WIA). DCSS should provide a similar report with an update of the Auditor-Controller's recommendation. **On motion of Gerardo Pinedo, seconded by Genie Chough, the Committee unanimously approved receiving and filing this item.**

Special Services For Groups Contract – Workforce Investment Act Youth Program (5/8/07): **The Committee unanimously approved receiving and filing this item.**

William S. Hart Union High School District Contract – Workforce Investment Act Youth Program (5/8/07): **The Committee unanimously approved receiving and filing this item.**

Asian American Drug Abuse Program Contract – Workforce Investment Act Programs (5/9/07): **The Committee unanimously approved receiving and filing this item.**

City of Compton – Compton Careerlink Contract – Workforce Investment Act Programs (5/9/07): **The Committee unanimously approved receiving and filing this item.**

Group Home Program Monitoring Report – B and I Group Home Incorporated – B and I Group Homes I and II (5/9/07): **The Committee unanimously approved receiving and filing this item.**

Group Home Program Monitoring Report – Dubnoff Center, Incorporated – Clybourn and Valley Group Homes (5/9/07): **The Committee unanimously approved receiving and filing this item.**

Group Home Program Monitoring Report – Hathaway – Sycamores Child and Family Services – El Nido Group Home (5/9/07): **The Committee unanimously approved receiving and filing this item.**

Group Home Program Monitoring Report – Little People's World Site Four and Site Five Group Homes (5/9/07): **The Committee unanimously approved receiving and filing this item.**

Group Home Program Monitoring Report – Turmont Home For Boys/Girls, Incorporated - Turmont Home For Girls Group Home (5/9/07): **The Committee unanimously approved receiving and filing this item.**

Jewish Vocational Service Contracts – Workforce Investment Act Programs (5/9/07): Gerardo Pinedo asked for clarification regarding the Jewish Vocational Service's (JVS) unreported activities for 32% of the sampled participants. Mr. McWatters reported that the Auditor Controller is unaware of the specific cause; however JVS is an accomplished contractor. Sometimes the contractor may not know the program has specific requirements. **On motion of Gerardo Pinedo, seconded by Genie Chough, the Committee unanimously approved receiving and filing this item.**

DPSS Calworks Stage One Child Care Alternative Payment Provider Payment System Controls Review (5/10/07): **The Committee unanimously approved receiving and filing this item.**

Reports to be Received

Status Report – Sheriff’s Department Special Enforcement Bureau Facility Replacement Project (Board Agenda Item #16, February 27, 2007) (4/25/07): **On motion of Gerardo Pinedo, seconded by Louisa Ollague, the Committee unanimously approved this item.**

Status Report Adoptions and Safe Families Act Prop A Analysis (Board Agenda Item 11, February 13, 2007) (4/30/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting and requested Children Deputies to attend and discuss this matter.**

Adoptions and Safe Families Act Relative Home Assessment Cost Analyses (Board Agenda Item 11, February 13, 2007) (5/10/07): **The Committee unanimously approved continuing this item to its July 19, 2007 meeting and requested Children Deputies to attend and discuss this matter.**

Ordinance to Update Title 2, Chapter 2.82 of County Code Relating to the Sybil Brand Commission For Institutional Inspections: **On motion of Gerardo Pinedo, seconded by Louisa Ollague, the Committee unanimously approved this item.**

Public Comments

There were none.

Other Business

DCFS Status Report on the Collection Questioned Costs from Group Home/FFA Fiscal Audit: Mr. McWatters reviewed handout with the Audit Committee regarding DCFS collections of questioned costs. Discussion ensued, Mr. McWatters indicated the Auditor Controller is uncertain when a law suit is filed and each Group Home/FFA is handled on a case by case basis.

Status of RFP, County-wide Financial Audit: John Naimo, Assistant Auditor, provided an update of the Request for Proposal (RFP) status issued for the annual County Financial Audit, the Comprehensive Annual Report, the Single Audit and few smaller audits. The two bids received were KPMG, and Macias Gini & O’Connell LLP, which specialize in government audits. Auditor Controller evaluated each firm and determined both proposals were qualified in terms of price; however, Macias ranked slightly higher than KPMG. The Macias proposal over a three year period is \$3.112 million, and the KPMG proposal over three years is \$2.879 million. Auditor Controller recommended Macias primarily because of their superior work plan and experience in the government industry. Macias has performed audits for City/County of San Francisco, Orange County, San Diego County and Sacramento County. Auditor Controller had initial concerns about their ability to handle an engagement of this size, but are confident with the diversity of other California County’s they served. Auditor Controller will recommend executing a contract with Macias to the Board of Supervisors on June 12 or 19, 2007. KPMG was utilized for fifteen consecutive years and it is a suggested practice to rotate auditors when feasible. Since KPMG has consistently under bid its competition, the Auditor Controller has been unable to rotate auditors.

KPMG's proposal contained exceptions to the standard County contract language concerning indemnity clauses. Maria Oms, Auditor Controller, stated three to five years is recommended to rotate auditors. The County is accountable to select the most responsible auditor and if one firm demonstrates considerable savings to the County, it is difficult for the Auditor Controller to advocate rotating an auditor.

Reorganization of Audit Committee: **On motion of Gerardo Pinedo, seconded by Louisa Ollague, the Committee unanimously nominated Genie Chough as Chair of the Audit Committee.**

Matters not on the Posted Agenda (to be Presented and Placed on the Agenda of a Future Meeting)

There were none.

Adjournment

There being no further business to conduct, the meeting was adjourned at 2:12 p.m.